



# HOUSE BILL 508: Education Funding Transparency.

2021-2022 General Assembly

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<b>Committee:</b>	House Education - K-12. If favorable, re-refer to State Government. If favorable, re-refer to Rules, Calendar, and Operations of the House	<b>Date:</b>	May 4, 2021
<b>Introduced by:</b>	Reps. Clampitt, Penny	<b>Prepared by:</b>	Kara McCraw
<b>Analysis of:</b>	PCS to First Edition H508-CSTC-27		Staff Attorney

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**OVERVIEW:** *HB 508 would make various changes to the budget process between the local board of education and board of county commissioners, and add additional audit and reporting requirements related to completed annual audits of local boards of education.*

**The PCS would:**

- *Remove changes to the uniform budget format and reporting requirements related to object codes.*
- *Add requirements for additional meetings to discuss budget items, require earlier submission of the local board of education budget to the board of county commissioners, require additional information on capital outlay projects be made available, and allow the county commissioners to delegate authority to the county manager to approve changes to the local board of education budget.*

**CURRENT LAW:** Part 2 of Article 31 of Chapter 115C provides the budget process for local boards of education (LBEs). LBEs must use a uniform budget format that includes funds for local current expenses and capital outlay that are funded in part by the local board of county commissioners (BCCs). The two boards are encouraged to jointly plan on budgetary issues throughout the year.

The superintendent must prepare a budget for submission to the LBE by May 1 annually, and the LBE must submit the budget to the BCC by May 15. The BCC must complete action on the budget by July 1. The BCC may allocate part or all of its appropriations by purpose, function, or project under the uniform budget code.

Once the BCC has made its appropriations, the LBE adopts its budget resolution. If the BCC has allocated appropriations by purpose, function, or project, the LBE must obtain permission from the BCC for amendments to the budget that either (i) increase or decrease expenditures from the capital outlay funds for certain types of projects involving real property or (ii) increase or decrease county appropriations allocated to a purpose or function by 25% or more from the amount contained in the budget. The BCC can set the amount of variance as low as 10%. If the LBE needs to transfer money to meet emergencies, it may adopt a resolution to transfer money to or from the capital outlay fund to or from some other fund with the permission of the BCC. The BCC must act on the request within 30 days of receipt or the request is deemed approved.

Part 3 of Article 31 of Chapter 115C established the fiscal control measure for LBEs. LBEs must have an annual independent audit by a qualified accountant as soon as possible after the close of the fiscal year.

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# House PCS 508

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The State Board of Education has authority to require LBEs to make certain reports related to the financial operations of schools.

**BILL ANALYSIS:** The PCS for HB 508 would make the following changes:

- Provide BCCs the authority to require LBEs to meet at least once a year with the BCCs to discuss school capital outlay needs and at least once a year to discuss local current expense needs.
- Require the LBE budget to be prepared by the superintendent by March 1 and submitted by the LBE to the BCC by March 15. The LBE could make additional adjustments based on new information to the BCC by May 1.
- Require the LBE budget to describe projected expenditures from local funds by program report codes (a more specific reporting designation of a plan of activities or funding designed to accomplish a predetermined objective). For local current expense funds, the budget would be required to distinguish projected expenditures supported by county appropriations or other local funds. For capital outlay funds from county appropriations, specific information on certain real property projects would also be included.
- The BCC could allocate appropriations by program report code, requiring the LBE to request approval for increases or decreases in those allocations of more than 25%. The BCC would have authority to delegate approval for these amendments and transfers to and from the capital outlay fund in times of emergency to the county manager, to be resolved within 15 days.
- The BCC could request information on capital outlay fund expenditures from county appropriations in the prior year.
- In the annual audit of the LBE, the auditor would be required to report on a comparison of budgeted and actual expenditures by program report code. The audit would be required to be filed with various receiving agencies by the auditor within 30 days of completion of the audit. Within 60 days of the audit's completion, the LBE must report the audit to the State Board of Education. The audit must then be made available on the Department of Public Instruction website.

**EFFECTIVE DATE:** HB 508 would become effective when it becomes law, and would apply beginning with budget ordinances adopted after June 30, 2021.